

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Oversee the
Resource Adequacy Program, Consider Program
Refinements, and Establish Annual Local and
Flexible Procurement Obligations for the 2016
and 2017 Compliance Years.

Rulemaking 14-10-010
(Filed October 16, 2014)

**COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW
JUDGE'S PHASE 3 SCOPING MEMO AND RULING**

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I. INTRODUCTION

Pursuant to the September 13, 2016 “Assigned Commissioner and Administrative Law Judge’s Phase 3 Scoping Memo and Ruling” (Scoping Memo and Ruling) and as detailed further below, the Office of Ratepayer Advocates (ORA) submits the following comments:

- The proposed schedule for Phase 3 should be extended to accommodate development of a complete record;
- Timely data from the California Independent System Operator Corporation (CAISO) and Energy Division Staff is necessary to facilitate further analysis and study of flexible capacity requirements (FCRs) and their contribution to reliability;
- The Commission should assign FCRs proportionally to each load serving entities’ (LSE) contribution to flexible capacity needs by June 2017; and
- The Energy Division Staff report on multi-year Resource Adequacy (RA) should include an analysis of the reliability and cost impacts of extending RA obligations beyond one year.

II. DISCUSSION

A. ORA Supports Further Analysis and Study of Flexible Capacity Requirements and Their Contribution to Reliability

The Scoping Memo and Ruling notes that the record is insufficient for a satisfactory resolution of the flexible capacity issues in scope and requests that the CAISO, Energy Division, and other parties perform analyses on: procurement and bidding changes in response to flexible requirements, reliability objectives that may be endangered by inadequate flexibility, whether the system’s current needs are being met by the FCRs, and what changes in FCRs are needed to respond to clear reliability needs.¹

¹ Scoping Memo and Ruling, pp. 5-6.

ORA supports further analyses by the CAISO, Energy Division Staff, and parties to the proceeding. However, the ability of parties to provide meaningful analyses depends on the information that the Scoping Memo and Ruling requests from Energy Division Staff and the CAISO. In particular, ORA cannot submit a detailed study plan to address the issues identified in the Scoping Memo and Ruling without the necessary data from the CAISO and Energy Division Staff. Each of the issues and questions identified requires procurement and market data that have not been provided. For example, question 4 asks “what, if any, characteristics of flexibility are not currently supplied appropriately”² but analysis to answer this question would rely on CAISO data that has not yet been released. In order to enable parties to complete their analyses by November 18, the necessary information should be made available as soon as possible, but not later than mid-October. The October workshop on FCRs, which is not yet scheduled, should also occur by mid-October if parties are expected to incorporate that information into their analyses.

B. The Proposed Schedule Should Be Extended To Accommodate Development of a Complete Record

The proposed proceeding schedule in the Scoping Memo and Ruling does not provide an adequate timeframe within which to build a robust record, and does not explain how the results of the CAISO’s April 2017 Local Capacity Requirement (LCR) and FCR studies will be coordinated with the adoption of new FCRs for RA program year 2018. A major focus of Phase 3 is the adoption of a “durable” flexible capacity program.³ The schedule shows parties’ Phase 3 Final Proposals due in February 2017 with reply comments filed on March 24, 2017. Possible adoption of revised FCRs projected for the subsequent June 2017 Decision. However, the CAISO’s final 2017 LCR and FCR studies will not be provided until April 2017, which means they will have

² Ibid., p. 5.

³ This effort should be more appropriately labeled a modification or refinement to the flexible capacity program. There will necessarily be more modifications as the grid rapidly evolves.

to be based on the current flexible capacity framework as opposed to the revised FCR studies for 2018. It is unclear whether or how the Commission can adopt modified FCRs for 2018 based on the April 2017 CAISO study when that study uses the existing flexible capacity framework. With the proposed schedule, the timing of the CAISO studies will only permit changes to FCRs adopted in June 2017 to be incorporated into the subsequent CAISO studies and then implemented starting in 2019. Since any changes in FCRs cannot be implemented until 2019, extending the current schedule through the summer of 2017 may provide the opportunity to build a more complete record and, therefore, a better outcome. Extending the time frame for resolving flexible capacity would also provide more time to address other issues outlined in the Scoping Memo and Ruling, such as simplification of the RA program, multi-year RA, and Effective Load Carrying Capacity (ELCC) in time for the June 2017 RA Decision.

C. The Commission Should Assign FCRs Proportionally to Each LSE's Contribution to Flexible Capacity Needs

ORA has been supportive of Pacific Gas and Electric Company's (PG&E) proposal to assign FCRs to LSEs based on their contributions to the CAISO's monthly net-load ramps.⁴ Under the current process, the Commission assigns FCRs based on an LSE's peak load ratio share. This does not reflect cost causation principles. A LSE's procurement of intermittent capacity contributes to the grid's need for flexibility; therefore, FCRs should be assigned according to the need for flexibility a LSE has created. Instead, the current method, which is based on load share, results in cross-subsidies and does not provide appropriate incentives for LSEs to address flexibility needs. Decision (D.) 16-06-045 states that aligning costs for flexible RA with cost causation is a logical approach and would be consistent with the Renewable Portfolio Standard (RPS) program's policy to minimize renewable integration costs by minimizing flexibility needs.⁵ The Decision deferred this issue to Track 2 of the proceeding. The

⁴ June 9, 2016 ORA Comments on Proposed Decision, p. 3.

⁵ D.16-06-045, pp. 47-48.

Scoping Memo and Ruling combines all issues in Track 2 with additional issues into Phase 3 of the proceeding for resolution in the June 2017 RA Decision.⁶ Therefore, allocation of flexible RA capacity based on cost causation should be addressed by the Commission for implementation in 2018.

Several parties expressed concern that the current proposal to allocate FCRs based on contribution to net-load ramp does not reflect all relevant information and requires improvements.⁷ Those parties should provide data to support any recommended modifications to the PG&E proposal in this phase of the proceeding. In order to fairly apportion FCRs and align with the Commission's RPS policy, this issue should be addressed for implementation in 2018 and should not be delayed for a fourth year.

D. The Energy Division Report on Multi-Year RA Should Include an Analysis of Anticipated Impacts of Extending RA Obligations

The Scoping Memo and Ruling orders Energy Division Staff to issue a report on the status of forward capacity procurement. To provide further insight on the potential impacts of multi-year RA, the report should quantify potential reliability issues with the current year-ahead program and analyze whether multi-year RA would best address any such reliability issues. The report should quantify the cost impacts of multi-year RA. Multi-year RA's primary purpose was to solve the problem of potential retirement of flexible resources that may be needed in the near future. However, the question remains whether there is a real risk of retirement and whether multi-year RA is the best program to address that issue.

III. CONCLUSION

ORA appreciates the opportunity to comment and looks forward to the development of revisions to RA to improve grid reliability in a cost effective manner.

⁶ Scoping Memo, p. 2.

⁷ D.16-06-045, pp. 46-47.

Respectfully submitted,

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